IGCSE BUSINESS STUDIES • EXERCISE SHEET

5.4 Statement of financial position

Name: ______________ Class: __________ Date: ____________ **Total: 20 marks**

KEY WORDS statement of financial position 财务状况表 • current assets 流动资产 • current liabilities 流动负债 • non-current liabilities 非流动负债 • non-current assets 非流动资产

Objective

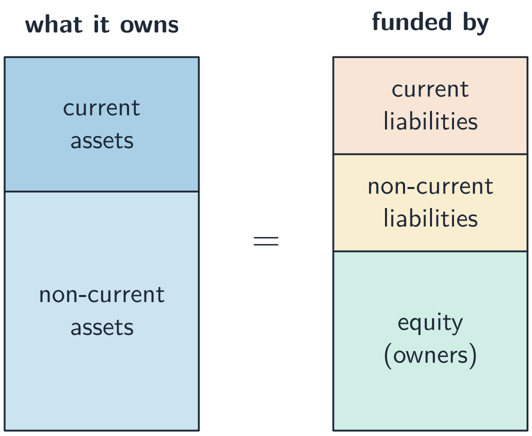
Build the skills to answer exam questions on the **statement of financial position** 财务状况表 — **assets and liabilities** 资产与负债, the types of each, and **owners' equity** 所有者权益.

You must be able to:

- explain what a statement of financial position shows
- distinguish non-current/current assets and liabilities
- explain how the statement is used

1 Worked examples

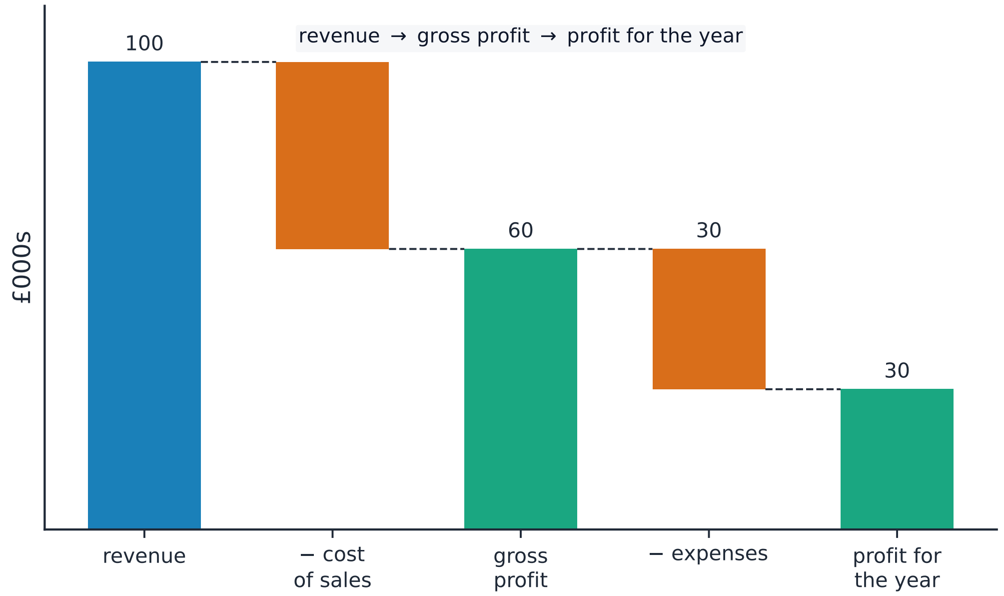
■ What the business owns and owes



A photo of what a business owns and owes on one day

- **Non-current assets** 非流动资产: long-term (buildings, machines). **Current assets** 流动资产: short-term (**inventory** 库存, money owed, cash).
- **Current liabilities** 流动负债: debts due within a year (overdraft, suppliers). **Non-current liabilities** 非流动负债: long-term loans.
- **Owners' equity** 所有者权益: money the owners put in, plus retained profit.

- **Used to** check the firm's worth, its debts, and whether it can pay them.



The companion statement: the income statement shows the profit that feeds retained earnings on the balance sheet

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

2.1 Define the term *current asset.* [2]

2.2 State the difference between a *current* and a *non-current* liability. [2]

2.3 Identify two examples of non-current assets. [2]

3 Exam-style questions

3.1 Identify two things a statement of financial position shows. [2]

3.2 Explain two reasons why a bank would want to see a business's statement of financial position. [6]

3.3 Do you think the statement of financial position is more useful than the income statement to a person thinking of investing in a business? Justify your answer. [6]

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a short-term asset that is cash or can soon be turned into cash, such as inventory or money owed by customers (2 for a clear definition; 1 for a partial idea).

2.2 a current liability is a debt due within a year (overdraft, suppliers); a non-current liability is due after more than a year (a long-term loan) (2 for a clear difference; 1 for a partial idea).

2.3 any two of: buildings; machines; vehicles; equipment (1 + 1).

3.1 any two of: what the business owns (assets); what it owes (liabilities); the owners' equity; whether it can pay its debts (1 + 1).

3.2 *[6]* For **each** of two reasons: K 1 + An up to 2 — e.g. *check it can repay*: the bank sees the assets and debts → it judges whether the firm can repay a loan. *Check security*: it sees the non-current assets that could act as collateral → it lends more safely. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **For the statement of financial position:** it shows what the firm owns and owes and whether it is financially stable. **Against:** the income statement shows the *profit*, which is what most matters to an investor's return. **Judgement (Ev):** an investor needs **both** — the income statement for profit and the statement of financial position for stability and debts; neither alone is enough, so it depends on what the investor most wants to know.